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6
REPORT ON THE FAR EAST

PART I

JAPAN AND UNITED STATES POLICIES

REPORT

OF

SENATOR MIKE MANSFIELD

TO THE

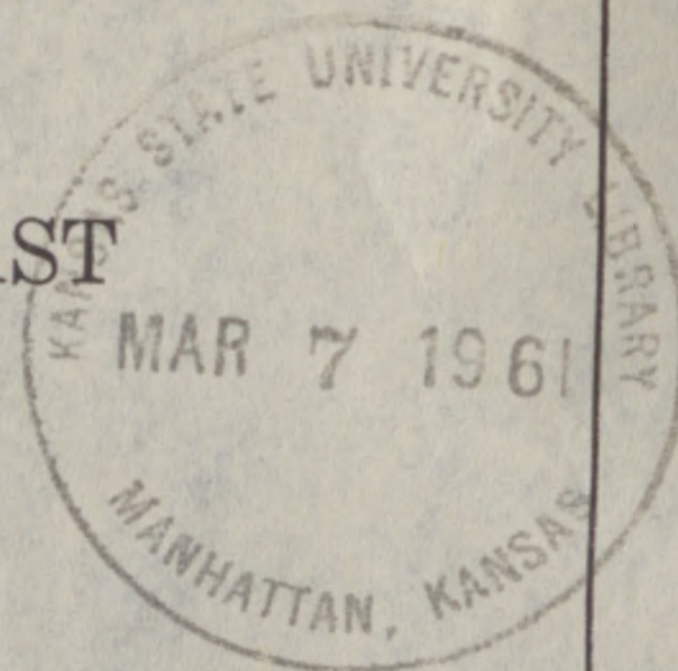
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UNITED STATES SENATE
2 Congress 3

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COMMITTEE ON FOREIGN RELATIONS

88th Congress
2d Session

REPORT OF THE COMMITTEE ON FOREIGN RELATIONS

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LETTER OF TRANSMITTAL

Hon. J. W. FULBRIGHT,
Chairman, Senate Committee on Foreign Relations,
U.S. Capitol, Washington, D.C.

DEAR MR. CHAIRMAN: You will recall you requested that I use the opportunity afforded by our recent presence in the Far East, as members of the American delegation to the annual meeting of the Inter-Parliamentary Union, to study at close hand, political and other trends in that region and to report to the Committee on Foreign Relations on their relationship to U.S. foreign policy. The requested report will be in two parts, one covering the situation in Japan and a second covering policies respecting China. The report is based on information obtained, in part, in Japan, Hong Kong and Macao. I am transmitting herewith the first part on Japan, and copies will also be provided through the Department of State, to the executive branch. The second part dealing with China will be forthcoming in the near future.

May I take this occasion, Mr. Chairman, to express my deep admiration and respect to you for the contribution which you made to the work of the American delegation to the Inter-Parliamentary Union. The international aspects of these annual meetings have assumed increasing significance in recent years. International questions are debated and discussed in a manner which brings the views of the United States and totalitarian countries into a direct confrontation before an audience of parliamentarians from all over the world. A specialized knowledge of international issues is essential if these questions are to be dealt with effectively in the interests of the United States. It seems to me most fortunate, therefore, that the Vice President saw fit to designate you, as chairman of the Foreign Relations Committee, and other Members of the Senate with a specialized concern in international relations as senatorial members of the 1960 delegation.

I should like to take this occasion to thank the Chiefs of Mission, Douglas MacArthur II in Tokyo and Julius Holmes in Hong Kong for their excellent assistance in facilitating this study and their many personal courtesies. They and their staffs are performing a most outstanding service on behalf of our country in these areas.

With best personal wishes, I am,
Sincerely yours,

MIKE MANSFIELD.

OCTOBER 21, 1960.

LETTER OF TRANSMITTAL

Dear Sir, I have the honor to acknowledge the receipt of your letter of the 14th inst. in relation to the proposed extension of the term of office of the members of the Board of Directors of the National Academy of Sciences. The Board has considered the matter and has decided to extend the term of office of the members of the Board for another year. I have the honor to transmit herewith a copy of the report of the Board on this subject. I am, Sir, very respectfully,
Yours very truly,
John A. M. [Signature]

John A. M. [Signature]

OCTOBER 21, 1900.

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REPORT ON THE FAR EAST

PART I: JAPAN AND UNITED STATES POLICIES

1. INTRODUCTORY

A few months ago, this Nation was shocked by an outbreak of massive street demonstrations in Tokyo and other cities of Japan. It will be recalled that the demonstrations were, at first, primarily a Japanese issue associated with opposition to Japanese ratification of a new defense treaty with the United States. On this initial issue, however, there were superimposed the complicating factors of the U-2 incident and the collapse of the summit. The demonstrations then took on an increasing anti-American flavor and finally forced the unprecedented cancellation of a formal presidential visit.

In the intervening months, the treaty has been ratified but at the expense of the demise of the Kishi government which sponsored it. There have been sober afterthoughts on the part of the Japanese press which, with near unanimity, had withheld support for the Kishi government and declined to condemn the demonstrations. Finally the cordial reception accorded the Crown Prince and Princess of Japan on their visit to this country after the demonstrations against the President's visit there produced a most favorable popular reaction in Japan.

There is a danger in assuming, however, that these highly publicized developments are accurate indicators of either the actual state of affairs within Japan or the tenor of Japanese-United States relations. If street demonstrating died down after the ratification of the treaty and the resignation of the Kishi government, it is likely to begin again with the assassination of the Socialist leader, Mr. Inejiro Asanuma. The forced cancellation of a presidential visit does not mean deep enmity between the Japanese and American people but similarly, a friendly visit of the Japanese Crown Prince and Princess and their cordial reception by no means assure a state of friendship between this country and Japan.

In short, this Nation would be well-advised to look beyond the spectacular and surface indicators in estimating conditions in Japan and the state of our relations with that nation.

2. POLITICAL FACTORS

Violent street demonstrations notwithstanding, Japan possesses instruments of representative government. They are not perfect instruments in Japan any more than they are in any other democratic country.

Nevertheless, free institutions do exist and they have been working and, it is safe to assume that the great majority of the Japanese people want them to go on working. The relatively new and feeble root



structure of these institutions, however, leaves them prone to abuse by the vestiges of indigenous totalitarianism as well as by the postwar importations of new totalitarian concepts from the Asian mainland.

The day has passed when the United States, under the powers of the occupation, might safeguard the democratic institutions of Japan from abuse and internal threat. Whether these institutions prosper now depends preponderantly on the Japanese people themselves and the caliber of responsible and dedicated leadership which the concepts of freedom and democracy bring to the fore in the years ahead. It will be recalled that these concepts were planted first during the 19th century and did not take too firm a hold. They were replanted in 1945 under the occupation and their future is still far from assured.

The Japanese people form a highly literate and intelligent electorate. The potential for free leadership is large. The means of communication are more than adequate. Therefore, if the Japanese intend to have their free institutions survive and grow more durable, they will find the means for doing so themselves and the means for dealing with those who abuse or threaten the institutions. The responsibility is theirs now, more than a decade after the occupation. We will make our greatest contribution to freedom in Japan and to our effective relations with that nation by not overlooking that fact. In short, we will be well advised to refrain from advising on these internal matters.

Looking ahead, moreover, we will be well advised to bear in mind that the potential of free leadership is not confined to the majority party in Japanese politics at any given time any more than it is in any free country. What is involved here is not merely a knowledge of the party structure in Japan and a diplomatic acquaintance with various political leaders. Important as that may be, far more significant is an accurate estimate of the major forces and trends in Japanese political life so as not to be caught short if these trends are expressed in new political directions and actions. If our policies are effectively conceived and properly conducted in the light of these forces and trends, our relations with Japan will not be confronted with major disruption if there are changes in government.

Conservative traditionalism, for example, is certainly a powerful factor in Japanese political life. It has done much to fashion the postwar governments of Japan. The political strength of traditionalism, however, lies largely in rural Japan. With the steady urbanization of Japanese society it is a factor more likely to decline rather than increase in political significance unless it is again diverted into a new militarism.

To cite another example, wartime and occupation experiences have implanted a strong pacificism in Japanese life. This force is expressed in a growing trend toward neutralism, the ratification of the Security Treaty notwithstanding. The trend is of particular significance for it is very marked in the rapidly enlarging urban areas and among the youth on which the politics of Japan will heavily depend a few years hence.

Finally, there is a trend away from interest in the United States. This is not at all an indication of enmity toward this Nation. Rather, it is probably an inevitable and healthy reaction to the years of intense association during the occupation and a natural expression of the broadening of Japan's economic and other horizons. There is, in

this connection, a growing Japanese interest in European ideas and developments and in trade and other ties with Afro-Asian nations. Further, there is a reawakened curiosity about China. The interest in China is not confined to Japanese Communists but extends broadly through Japanese society, particularly among students and intellectuals. It is certainly derived in part from the business community which has not abandoned the expectation of eventual trade with the Chinese mainland. More deeply, however, the interest derives from general cultural affinities, for it is on Chinese concepts that traditional Japanese society is largely based.

3. ECONOMIC FACTORS

Perhaps even more significant to our policies than political forces and trends such as those discussed above are the economic factors in the Japanese situation. By whatever method it is measured, Japan's economic advance in recent years has been remarkable. Its rate of growth has surpassed that of Western Europe, the Soviet Union and the United States. Moreover, the growth (estimated in 1959 to have been 16 or 17 percent) has not been merely a crude expansion of production of goods and services. Rather it has been accompanied by a flowering of inventiveness, design, and industrial skills of the highest order.

The ordinary people of Japan have shared in the benefits of this growth to a considerable degree. Real wages have steadily increased. The economic status of the countryside is significantly improved. Per capita income now stands at about \$300 and Japanese economists are predicting that it can be doubled in a decade. The present figure is already high above that for other nations in the region and approaching that of many European countries.

The fact is that Japan is now a highly developed nation. Along with Western Europe, the United States-Canada, and the Soviet bloc, it ranks among the four great industrial complexes of the world. But the unprecedented economic dynamism and prosperity of Japan rest, to a far greater degree than any of the other three, on the foundation of foreign trade. The 100 million Japanese live in an area about the size of Montana with a population more than 100 times less. Arable land in Japan is extremely limited and already intensively cultivated. Considerable food and the great bulk of industrial raw materials which fuel Japanese industry must be imported. It is literally true that Japan must trade to live, let alone to live as well as it does and as well as it hopes to live in the next decade.

In prewar years Japan's trade was oriented primarily toward China and southeast Asia. This trade has undergone a significant reorientation toward the United States in particular and to a lesser degree toward India, Africa, Latin America, the Middle East and Europe. As noted, this shift has been accompanied by the emergence of a new division in Japanese exports between the "rough" manufactured goods, such as cotton piece goods, which were the prewar specialties, and the growth in exports of labor-intensive goods, such as cameras, machine tools, and precision instruments during the postwar years.

This new division is not without liabilities, for the markets for the new highly finished goods are becoming more important to the Japanese than ever before and these markets tend to be more resistant to

Japanese intrusion precisely as they grow more important to the Japanese. The United States, for instance, has become reluctant to import a number of items, sewing machines for example, and Germany, a sizable importer of Japanese cameras in the past few years, is growing resistant on that item. This situation exerts further pressure on the Japanese to seek to reopen traditional markets in both China and Southeast Asia.

Exploratory talks between a Communist Chinese trade delegation and the Japanese were broken off in 1958 over a minor affront to the Chinese but there has been considerable pressure to renew them. The economic attractiveness of the traditional Chinese market to the Japanese needs little elaboration, but two points of less obvious nature may be stressed.

One is that the Chinese trade, under present conditions, may not prove as useful as many Japanese appear to believe. Chinese industrialization is proceeding at a rapid pace and the untapped market of prewar days no longer exists. Further the major and most needed imports which the Japanese seek from China are iron ore and coking coal to meet vital and growing energy and metal needs. But the Chinese resources in these two items are at present limited and may well be largely taken up by China's own construction of basic industry—iron and steel in particular. On the other hand, China offers an attractive alternative market for Japan's increasingly troublesome labor-intensive goods, particularly machines and instruments, a Chinese market which did not exist in prewar days.

Second, the current Chinese attitude to Japanese trade has been to tie the matter together with broader political questions, particularly Japanese recognition of Communist China, the signing of a peace treaty, and Japanese refusing a military alignment with the United States. The extent to which these are firm preconditions or simply bargaining and propaganda levers is unknown, because they are fundamentally untested. In any event, Japanese interest in an expansion of trade with China is great. Notwithstanding the obstacles and drawbacks this interest is likely to increase.

As far as Southeast Asia is concerned, the Japanese have faced two basic impediments to the resumption of their extensive economic relations in the postwar era. One is the heavy residue of distrust of the Japanese and of economic dependence upon Japan which remains in Southeast Asia from the experiences of the 1930's and 1940's. A second is that upon achieving independence the nations of Southeast Asia, like other new nations, have sought to protect and encourage their own industries, particularly in cotton piece goods, and other semifinished products which had been the staples of Japanese prewar export trade.

In the past decade the Japanese have made gains in restoring a favorable political climate for their trade. Reparations to various Southeast Asian countries and other agreements have smoothed the most outstanding frictions. But this problem still troubles the Japanese. Discrimination against Japanese trade is on the wane but is still a factor impeding the full development of this trade.

The trend toward economic autarchy among the new nations of Asia seems more serious in the long run for Japanese trade. For example, India's development of her textile industry has reduced her imports. In these reduced imports the Japanese have gained a new



share at the expense of the British. The British in turn have been forced to look for new markets in Southeast Asia and elsewhere. Hence, the Japanese find Southeast Asian markets not only impeded by remaining discrimination, and limited by protectionist regulations, but also full of competitors who were not seen there before the war.

The recent changes in South Korea have opened up the possibilities of solution to vexing problems which have plagued Japanese-Korean relations for many years. If these possibilities are realized then there are excellent prospects for a large increase in trade between the two countries. These prospects, of course, would be greatly enhanced if at the same time some progress could be made on the reunification of both parts of Korea.

4. UNITED STATES-JAPANESE TRADE: THE KEY FACTOR

Regardless of actual or expected trade elsewhere, Japan's commerce with the United States remains the key to its economic stability and, perhaps, the most significant external factor in the stabilizing of free political institutions in that nation. At the present time, this country takes 30.9 percent of Japan's total exports which in 1959 reached the figure of \$3.6 billion. Moreover, a large share of these exports were products with a high input of labor.

The large flow of Japanese exports to this country has caused some consternation, particularly in certain manufacturing lines in this country. To be sure, we cannot ignore the difficulties which face certain domestic industries and labor groups which have been adversely affected. But neither can we ignore the reverse side of the coin of Japanese exports.

After Canada, Japan is traditionally the second largest market for U.S. exports. Over a period of 6 years (1953-58), Japan bought commercially substantially over \$2 billion more from the United States than the United States bought from Japan. Japan has to find ways to earn dollars to pay for these imports from the United States which in 1959 alone totaled \$934 million. It is true that in that year, for the first time during the postwar period, Japan had a slight favorable balance in her commercial trade with the United States. In the first 7 months of 1960, however, U.S. exports to Japan increased by some 48.6 percent, and on the basis of present trends will reach an all-time high this year of about \$1.3 billion, with a substantial balance in our favor.

In this trade, Japan has become one of the largest and most important foreign markets for U.S. farm commodities, and annually purchases commodities worth between \$400 and \$500 million in cash payments. Japan is one of our largest single markets in the world for cotton, wheat, soybeans, barley, hides, and tallow, which are in heavy surplus in the United States. The U.S. Government, under the farm price-support program, purchases these commodities. If the Japanese did not buy them from us, the American taxpayer would have to bear this additional burden.

In short, it is time to face the fact in all honesty that we cannot sell to Japan many commodities which we desire to sell unless we are equally prepared to buy commodities which Japan must sell. This fact, on the whole, is being faced by the people of the United States.

It must continue to be faced not only because it is economic realism but, perhaps, equally because of its great implications for stability in Japan and, hence, for the peace of the nation and the Far East.

The pattern of Japanese trade should in due course modify in the direction of a greater diversification of both markets and sources of supply. But any sudden or drastic shift in its present commerce with the United States, particularly in consequence of a deliberate policy on our part would not only mean an economic catastrophe for Japan but it would be a political disaster for freedom and our own security of the most tragic kind.

5. CONCLUDING OBSERVATIONS AND RECOMMENDATIONS—JAPAN

In a political sense, Japan is a nation still in search of itself. It has been subjected to an enormous bombardment of new ideas and political theories largely through the medium of the occupation but also from the Asian mainland, Russia and Western Europe. These ideas are superimposed on traditional Japanese concepts which survived World War II.

Although the political forms that presently operate are predominantly those of democracy and representative government, as we understand them, this system is now under severe test. Modifications may be anticipated. What is not yet clear is what form these modifications will take. Japan appears to be at the beginning of a period of significant political change, the net effect of which will be to give to the recent imports of political ideas and institutions from elsewhere a more distinct Japanese character. Whether freedom as we understand it will gain or lose in the process remains to be seen. Certainly, there is Japanese political leadership which grasps the meaning of freedom in about the same fashion as do we. But there are other forces in Japanese politics, significant forces which do not share this understanding, even though they may use the vocabulary of freedom.

In any event, political freedom in Japan, as it is everywhere else where it functions, is not only an idea to answer the needs of man's spirit; it is also a system of government which must meet the material needs of the Japanese people. So long as Japan's economy under a free system is adequate, as it now is, to those needs and so long as it holds reasonable promise of progress, as it now does, the prospects for political stability in freedom are good in Japan. A sharp break in that economy or a shutting off of the opportunity for its growth will raise grave doubts as to the political future of Japan.

It is essential, therefore, that any responsible Japanese government—regardless of party label—bend its efforts to enlarge the possibilities for Japanese trade and other forms of economic cooperation with the rest of the world. Moreover, it will seek to diversify the present heavy dependence on trade with the United States. That is now taking place and it may be anticipated that the process will continue. It may also be anticipated that as this process goes on it will be paralleled by another in Japan's foreign policy in the direction of a greater degree of what, for want of a better term, is generally identified as neutralism.

Insofar as our official relations with Japan are concerned, they are of particular significance in the economic sphere. These relations

are mutually beneficial, no longer dependent on economic aid. But these relations have a meaning beyond economics. They are essential relations at this time for Japan's stability and, hence, for the peace and security of the Western Pacific and this Nation.

Defense relations with Japan in their present form are a mixed blessing, notwithstanding the recent ratification of the treaty. They run counter to the popular trend toward neutralism in Japan and, hence, are a political liability within Japan and a source of irritation. Nevertheless, given the present unstable situation in the Far East, these defense arrangements are of great importance to the security of Japan and ourselves as well as to other Far Eastern nations.

It seems to me that we will serve our own national interests and enhance the prospects for peace and stability in the Far East if, in our relations with Japan:

(1) We keep open the channels for a large flow of trade in both directions and avoid sudden dislocations in this trade by arbitrary, one-sided, shortsighted policies; needless to say, the same dictum applies to Japanese trade policies respecting this Nation.

(2) We welcome a growth of Japanese and other economic relations with southern and Southeast Asia and work with those nations to encourage the flow of Japanese capital and technical aid to these regions under conditions acceptable to the nations therein.

(3) We anticipate a growth of Japanese trade and other relations with the Chinese mainland and, perhaps, with the Soviet maritime provinces, and if it eventualizes, we avoid attitudes of shock and panic reprisals which will only damage the position of the United States by forcing Japan fully into the arms of Asian totalitarianism.

(4) We remain strictly out of the internal political affairs of Japan by refraining from offering official advice or comment on the Japanese political structure and its modification and by eschewing in diplomacy the identification of this Nation with any particular political party or grouping in Japan.

(5) We anticipate a continuing and growing opposition to the present defense treaty and if, at any time, prior to its expiration date a decade hence, conditions in the Far East warrant it, we assume the initiative in seeking mutually acceptable modifications of the treaty and, further, that we make it clear that we are prepared to entertain proposed modifications at any time at the request of the Government of Japan.

(6) We use our good offices to the maximum possible extent in encouraging a mutually acceptable solution of Japanese-Korean problems; and, further, that we consider most carefully the possibilities of a solution to the problem of Korean unification in terms of neutralization on the Austrian pattern.

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